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Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

JUN 2 7 2005

Federal Communications Commission
Office of Secretary

In the Matter of	Office of Secretary	,
Federal-State Joint Board on Universal Service) CC Docket No. 96-45	
Petition by Epic Touch Co. for Redefinition of the Pioneer Telephone, Inc.'s Study Area Pursuant to) DOCKET FILE COPY ORIGINAL	
47 C.F.R. § 54.207(c))	

To: Wireline Competition Bureau

<u>PETITION OF EPIC TOUCH CO. FOR REDEFINITION OF PIONEER TELEPHONE</u> ASSOCIATION, INC.'S SERVICE AREA

Epic Touch Co. ("Epic Touch"), by and through its counsel, and pursuant to Section 214(e)(5) of the Communications Act of 1934, as amended ("Act") and Section 54.207 of the Federal Communications Commission's ("FCC") Rules, hereby petitions the FCC for concurrence with the Kansas Corporation Commission's ("KCC") decision to redefine the study area of Pioneer Telephone Association, Inc. ("Pioneer"). Specifically, Epic Touch requests that the FCC redefine Pioneer's Kansas study area to the wire center level to include the Richfield, Rolla, and Hugoton wire centers as separate service areas. As further discussed below, redefinition is consistent with the public interest and will further federal and state goals of encouraging competition in the telecommunications marketplace.

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¹ 47 U.S.C. § 214(e)(5).

² 47 C.F.R. § 54.207.

³ RCC Minnesota, Inc. has also filed a petition to redefine these wire centers as separate service areas. <u>See Petition of RCC Minnesota</u>, Inc. For Redefinition of Rural Telephone Company Service Areas, CC Docket No. 96-45, Appendix A (Feb. 8, 2005); <u>FCC Public Notice</u>, 20 FCC Rcd 4002 (Feb. 22, 2005); <u>See also In the Matter of Petition of RCC Minnesota</u>, Inc. for <u>Designation as an Eligible Telecommunications Carrier</u>, Docket No. 04-RCCT-338-ETC, Order # 14, (Sept. 30, 2004) (Kansas Order granting ETC status to RCC Minnesota).

I. BACKGROUND

Epic Touch is a telecommunications carrier incorporated under the laws of Kansas providing a wide range of services to consumers in Kansas and Oklahoma. These services include local and long distance telephone services, encompassed in Epic Touch's Commercial Mobile Radio Service ("CMRS") offerings. Epic Touch is authorized to provide wireless service in the Meade, Morton, Seward, and Stevens counties in Kansas, and Beaver and Texas counties in Oklahoma, pursuant to a Personal Communications Service ("PCS") license issued by the FCC. In Kansas, Epic Touch's wireless services are provided using Epic Touch's own wireless facilities, qualifying Epic Touch as a wireless telecommunications carrier as defined in Section 153(49) of the Act. Epic Touch also qualifies as a common carrier under Section 153(10) of the Act, sa well as Section 20.9(a)(11) of the FCC Rules.

Epic Touch sought and obtained Eligible Telecommunications Carrier ("ETC") designation for certain service areas in Kansas in order to obtain Federal Universal Service Fund ("USF") support. USF support will enable Epic Touch to facilitate the delivery of high quality, advanced wireless services to the citizens of Kansas in order to compete with those of the incumbent wireline carriers. Epic Touch has been deemed to satisfy the FCC's criteria for designation as an ETC by the KCC, and Epic Touch currently provides, or will be capable of providing before such time as it receives USF support, all the services and functionalities supported by the federal universal service program, enumerated in Section 54.101(a) of the FCC Rules, throughout its PCS service area in Kansas. However, Pioneer's study area must be redefined to the wire center level before Epic Touch can receive USF support for the Richfield,

⁴ 47 U.S.C. § 153 (49).

⁵ 47 U.S.C. § 153 (10).

⁶ 47 C.F.R. § 20.9(a)(11).

Rolla, and Hugoton wire centers, and, pursuant to Section 214(e)(5) of the Act, both the FCC and the KCC must agree to any redefinition of Pioneer's study area because Pioneer is a rural telephone company ("RTC").

II. PROCEDURAL HISTORY

On November 1, 2004, Epic Touch petitioned the KCC for designation as an ETC throughout its licensed service area in the state of Kansas for the purpose of receiving USF support. Non-rural areas for which Epic Touch requested ETC designation included the Liberal, Plains, Meade, Fowler, and Sublette wire centers served by Southwestern Bell Telephone, L.P. ("SWBT"). Rural service areas for which Epic Touch requested ETC designation included the entire Elkhart Telephone Co., Inc. ("Elkhart") service area, and specific wire centers served by United Telephone Association, Inc. ("United") and Pioneer. On November 23, 2004, SWBT intervened in the proceeding, but did not present evidence nor did it oppose the ETC designation requested by Epic Touch.

In a "Report and Recommendation" dated March 30, 2005, attached hereto as Exhibit A, KCC staff advised the KCC to grant in part and deny in part Epic Touch's application. With respect to the non-rural service areas, the staff recommended that the KCC grant Epic Touch ETC status for the Liberal, Plains, and Meade wire centers, but deny Epic Touch ETC status for the Fowler and Sublette wire centers because Epic Touch was not capable of providing service to

⁷ <u>Application of Epic Touch Co. for Designation as an Eligible Telecommunications Carrier in the State of Kansas</u>, Docket No. 05-ETCZ-378-ETC (Oct. 29, 2004) ("<u>Application</u>").

⁸ Southwestern Bell Telephone, L.P.'s Petition to Intervene, Docket No. 05-ETCZ-378-ETC (Nov. 23 2004); see also Order Granting Intervention to SWBT, Docket No. 05-ETCZ-378-ETC (Feb. 7, 2005).

⁹ In the Matter of the Application of Epic Touch Co. for Designation as an Eligible Telecommunications Carrier, Report and Recommendation, Docket No. 05-ETCZ-378-ETC (March 30, 2005) ("Staff Recommendation").

those wire centers in their entirety.¹⁰ With respect to the rural service areas, the staff recommended that the KCC grant Epic Touch ETC status for the entire Elkhart study area, but deny Epic Touch ETC status in United's wire centers because granting ETC status in these wire centers would require redefining service areas below the wire center level.¹¹

With respect to Pioneer's service area, the staff recommended that the KCC grant Epic Touch ETC status for the Richfield, Rolla and Hugoton wire centers, but deny Epic Touch ETC status for the Johnson, Ulysses, Moscow, and Santana wire centers because Epic Touch was not capable of providing service to those wire centers in their entirety. The staff noted, however, that any grant of ETC status to Pioneer wire centers would require the FCC to concur in the KCC's decision to redefine the Pioneer service area to the wire center level. The KCC affirmed all of the recommendations of its staff in an Order dated April 19, 2005, attached hereto as Exhibit B, and likewise conditioned granting Epic Touch ETC status in the Pioneer service areas on FCC agreement that Pioneer service areas should be redefined to the wire center level. The staff recommendation of the recommendation of its staff in an Order dated April 19, 2005, attached hereto areas on FCC agreement that Pioneer service areas should be redefined to the wire center level.

III. DISCUSSION

Section 214(e) of the Act provides that state commissions generally have the authority to grant ETC status to carriers that satisfy the requirements of the federal universal service rules under Section 254(c) and to define the carriers' service areas. For rural areas, Section 214(e)(5) of the Act and Section 54.207(b) of the FCC Rules provide that an RTC's service area will be defined as the company's "study area" unless the state commission and FCC establish a different

¹⁰ Id. at 4-5.

¹¹ Id. at 6-7.

¹² Id. at 7.

¹³ <u>Id</u>. at 11.

¹⁴ In the Matter of the Application of Epic Touch Co. for Designation as an Eligible Telecommunications Carrier, Order, 2005 Kan. PUC LEXIS 479, Docket No. 05-ETCZ-378-ETC (April 19, 2005).

service area, after taking into account "recommendations of a Federal-State Joint Board convened to provide recommendations with respect to the definition of a service area served by a rural telephone company." The Federal-State Joint Board on Universal Service ("Joint Board") outlined its concerns with redefining an RTC's service area. These include: (1) minimizing rural "cream skimming"; (2) recognizing that the Act places RTCs on a different competitive footing from other carriers; and (3) recognizing the administrative burden of requiring RTCs to calculate costs at something other than a study level area. 17

Section 54.207(c) of the FCC Rules establishes procedures for the FCC and state commissions to follow when redefining RTC service areas. Under this procedure, a party seeking redefinition of a service area must submit a petition to the FCC for consideration. Pursuant to Section 54.207(c), this Petition includes: (1) the service area definition proposed by the Epic Touch and the KCC; and (2) the KCC's statement presenting the state commission's reasons for adopting the service area definition, including an analysis that takes into consideration the Joint Board's recommendations. In addition to considering Epic Touch's capacity to provide service to the wire centers, the KCC considered: (1) whether Epic Touch was attempting to "cherry pick" or "cream skim" by only proposing to serve the lowest cost exchanges; (2) whether Pioneer would be placed at a competitive disadvantage after redefinition; and (3) whether redefinition would place additional administrative burdens on Pioneer for making cost calculations.

A. Epic Touch Is Not Attempting To "Cream Skim"

¹⁵ <u>See</u> 47 U.S.C. § 214(e)(5); 47 C.F.R. § 54.207.

¹⁶ Federal-State Joint Board on Universal Service, Recommended Decision, 12 FCC Rcd 87, ¶¶ 172-174 (1996) ("Recommended Decision").

¹⁷ <u>Id</u>. at ¶ 172-178.

¹⁸ 47 C.F.R. § 54.207(c).

The Joint Board advised state commissions to consider whether the competitive carrier seeking service area redefinition is attempting to "cream skim" by proposing to serve only low-cost, high-revenue exchanges in an RTC's study area. ¹⁹ The KCC found that Epic Touch is not attempting to "cream skim" or "cherry pick" Pioneer's service area because "Epic Touch is not trying to serve only the highest-density, lowest-cost wire centers." ²⁰ Indeed, Epic Touch has based its requested ETC service areas solely on its FCC licensed service areas, and it will use all reasonable efforts to serve its entire licensed service area. Epic Touch did not base its ETC coverage areas on serving only the lowest-cost exchanges.

The FCC has analyzed population densities of affected wire centers in order to ensure that redefining RTC service areas would not result in cream skimming. The KCC conducted a population density analysis of the Pioneer wire centers affected by Epic Touch's proposed service area redefinition, and found no potential for cream skimming. The average population density per square mile for the Richfield, Rolla, and Hugoton wire centers is 4.73, compared to 5.34 for the entire Pioneer study area. This uncontested evidence on the record establishes that the population densities of Pioneer's wire centers for which Epic Touch requested ETC designation are lower than the average population density of the rest of Pioneer's service area. Costs are generally higher in these lower-density wire centers, eliminating any possibility that Epic Touch is attempting to serve only high-revenue customers.

In addition, Pioneer chose to depart from service area cost averaging in order to disaggregate and target per-line high-cost support into geographic areas below the wire center

¹⁹ Recommended Decision at ¶ 172.

²⁰ Staff Recommendation at 7.

²¹ Virginia Cellular Order at ¶¶ 34-35.

²² Staff Recommendation at 7.

level.²³ The FCC has held that disaggregation "substantially eliminate[s]" any concerns regarding cream skimming by ETCs because it provides RTCs with a means to ensure that "support will be distributed in a manner that ensures that the per-line level of support is more closely associated with the cost of providing service."²⁴ Because support has been moved from the lower-cost areas into the higher-cost areas, Epic Touch can only access those higher support levels by providing its universal service to customers in those remote areas. There is no potential for cream skimming because Epic Touch will not be compensated with high-cost support if it obtains subscribers only in low-cost areas.

B. The KCC Considered Pioneer's Special Status under the Act

The Joint Board recommended that the FCC consider the RTC's special status under the Communications Act.²⁵ In deciding whether to award ETC status to Epic Touch, the KCC completed its own public interest analysis, weighing numerous factors, and found that redefining Pioneer's service area will not place Pioneer at an unfair competitive disadvantage.²⁶ Indeed, the KCC has determined that, as a general rule, allowing the designation of additional ETCs in RTC's service areas is in the public interest.²⁷ As reported by the Staff Recommendation and in Epic Touch's initial ETC Application, designating Epic Touch as an ETC will serve the public interest by stimulating greater competition, providing consumers with increased choice between USF-supported service providers, and offering consumers the benefits of alternative

²³ Id. at 7.

²⁴ Western Wireless Corp., 16 FCC Rcd 19144, 19149 (2001).

²⁵ Recommended Decision at ¶ 173.

²⁶ Staff Recommendation at 7.

²⁷ In the Matter of GCC License Corporation's Petition for Designation as an Eligible Telecommunications Carrier, Docket No. 99-GCCZ-156-ETC, Order pp. 3-4 (May 19, 2000) ("The Commission finds, as a general principle, that allowing additional ETCs to be designated in rural telephone company service areas is in the public interest...This general public interest finding is a presumption which may be rebutted by individual rural telephone companies.").

telecommunications technologies.²⁸ In making the determination that granting ETC status to Epic Touch is consistent with the public interest in this case, the KCC duly recognized the special status of Pioneer as a rural carrier.

C. Redefinition Will Not Increase Pioneer's Administrative Burdens

The Joint Board recommended that the FCC consider the administrative burden an RTC would face by calculating its costs on a basis other than its entire study area.²⁹ Epic Touch is seeking redefinition of Pioneer's service areas solely for ETC designation purposes, and redefining service areas for ETC purposes alone will not modify the existing rules applicable to Pioneer for calculating costs based on its study area.³⁰ Pioneer will continue to calculate costs and submit data for the purpose of collecting high-cost support in the same manner as it does now. Therefore, redefining Pioneer's service areas as proposed in this Petition will not impose any additional administrative burdens on Pioneer.

²⁸ See Staff Recommendation at 8-11; Application at 13-17.

²⁹ Recommended Decision at ¶ 174.

³⁰ Staff Recommendation at 7.

IV. <u>CONCLUSION</u>

For the foregoing reasons, Epic Touch respectfully requests FCC approval of and agreement with the KCC's redefinition of Pioneer's Kansas service area to include its Richfield, Rolla, and Hugoton wire centers as separate service areas.

Respectfully submitted,

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Date: June 27, 2005

EXHIBIT A

STAFF RECOMMENDATION



CORPORATION COMMISSION

KATHLEEN SEBELIUS, GOVERNOR BRIAN J. MOLINE, CHAIR JOHN WINE, COMMISSIONER ROBERT E. KREHBIEL, COMMISSIONER

REPORT AND RECOMMENDATION

TO.

Chair Moline

Commissioner Krehbiel Commissioner Moffet

FROM:

Christine Aarnes

DATE:

March 30, 2005

DATE SUBMITTED TO LEGAL:_

4/1/05

DATE SUBMITTED TO COMMISSIONERS:

RE:

Docket No. 05-ETCZ-378-ETC

In the Matter of the Application of Epic Touch Co. for Designation as an Eligible

Telecommunications Carrier Pursuant to Section 214(e)(2) of the

Communications Act of 1934.

BACKGROUND:

On November 1, 2004, Epic Touch Co. ("Epic Touch") filed this application to request designation as an Eligible Telecommunications Carrier ("ETC") throughout its licensed service area in the state of Kansas for the purpose of receiving Federal Universal Service Fund ("FUSF") support.

On November 23, 2004, Southwestern Bell Telephone, L.P. ("SWBT") filed a Petition to Intervene in this docket. On February 7, 2005, the Commission issued an order granting SWBT's request.

ANALYSIS:

Epic Touch is a telecommunications provider incorporated under the laws of the State of Kansas. Epic Touch is properly registered with the Office of the Kansas Secretary of State and its status is "active and in good standing."

Epic Touch requests ETC designation in the Meade, Morton, Seward and Stevens counties, which contain the Fowler, Liberal, Meade, Plains and Sublette SWBT wire centers, the entire Elkhart Telephone Co. Inc. ("Elkhart") study area, and specific wire centers served by Pioneer Telephone Association, Inc. ("Pioneer") and United Telephone Association, Inc. ("United Telephone Assn."). SWBT is a non-rural telephone company. Elkhart, Pioneer and United Telephone Assn. are rural local exchange carriers ("RLECs"). Epic Touch and Elkhart are affiliated through common ownership.

Federal ETC Requirements

A common carrier designated as an eligible telecommunications carrier shall be eligible to receive universal service support in accordance with section 254 of the Federal Act and shall, throughout the service area for which the designation is received - (A) offer the services that are supported by Federal universal service support mechanisms under section 254(c) of the Federal Act, either using its own facilities or a combination of its own facilities and resale of another carrier's services (including the services offered by another eligible telecommunications carrier); and (B) advertise the availability of such services and the charges therefor using media of general distribution.

Federal law, 47 U.S.C. § 214 (e)(2), states that "Upon request and consistent with the public interest, convenience, and necessity, the State commission may, in the case of an area served by a rural telephone company, and *shall*, in the case of all other areas, designate more than one common carrier as an eligible telecommunications carrier for a service area designated by the State commission." The Commission must evaluate Epic Touch's ability to meet the criteria set out in 47 U.S.C. § Section 214(e)(2). Epic Touch requests ETC designation in several rural service areas, therefore, the Commission must also decide whether granting ETC designation to Epic Touch is consistent with the public interest. The Commission is not required to make a public interest determination with regard to the SWBT service area, but Staff will provide a public interest recommendation for the SWBT service area as well.

Common Carrier Status

In order to be designated as an ETC, a company must be a common carrier as defined in Section 153(10) of the Federal Act. A common carrier is defined as: "[A]ny person engaged as a common carrier for hire, in interstate or foreign communication by wire or radio." Epic Touch states that it meets this requirement because the FCC has determined that Commercial Mobile Radio Service ("CMRS") meets this definition, and therefore qualifies as a common carrier service. Per 47 C.F.R. §20.9(11), Staff believes that Epic Touch is a common carrier eligible to be designated as an ETC if the company meets all other requirements to be designated as an ETC.

Services or Functionalities;

47 C.F.R. § 54.101(a) identifies the services or functionalities that shall be supported by federal universal service support mechanisms. The applicant must provide all of the following services that are designated for federal support: (1) voice-grade access to the public switched network;

(2) local usage; (3) dual-tone multi-frequency ("DTMF"); (4) single-party service or its functional equivalent; (5) access to emergency services; (6) access to operator services; (7) access to interexchange services; (8) access to directory assistance; and (9) toll limitation for qualifying low-income consumers.

In its application, Epic Touch provided the following explanation of how it meets the aforementioned federal criteria for being designated an ETC.

Voice-grade access to the public switched network —Epic Touch meets this requirement by providing voice-grade access to the public switched telephone network. Through interconnection arrangements with Local Exchange Carriers ("LECs"), all customers of Epic Touch are able to make and receive calls on the public switched telephone network within the specified bandwidth.

Local usage – Epic Touch will offer its USF customers a toll-free local usage plan within Epic Touch's defined local service area as part of its monthly service package. Furthermore, Epic Touch will comply with any and all minimum local usage requirements adopted by the FCC or the KCC.

Dual-tone multi-frequency (DTMF) – Epic Touch currently provides its CMRS customers with wireless signaling that is the functional equivalent of DTMF signaling, in accordance with the FCC's requirements. Such signaling will be included in Epic Touch's universal service offerings.

Single party service or its functional equivalent – Epic Touch meets the requirement of single-party service by providing a dedicated message path for the length of all customer calls. Epic Touch will therefore offer the wireless equivalent of single party service in its universal service offerings.

Access to emergency services — Epic Touch currently provides all of its customers with access to emergency service by dialing 911 in satisfaction of the basic 911 requirement, and either provides, or will provide subscribers with Phase I and Phase II E-911 services in accord with any deployment schedules agreed to by Epic Touch and local or other non-governmental emergency service provider agencies, to the extent that a bona fide request for E-911 services is received by Epic Touch.

Access to operator services – Epic Touch meets this requirement by providing all of its customers with access to operator services.

Access to interexchange service – Epic Touch presently meets this requirement by providing all of its customers with the ability to make and receive interexchange or toll calls.

Access to directory assistance – Epic Touch meets this requirement by providing all of its customers with access to directory assistance, and it will be included in Epic Touch's universal service offerings as an ETC.

Toll limitation for qualifying low-income consumers — Epic Touch currently has no Lifeline customers because only carriers designated as an ETC can participate in Lifeline. Once designated as an ETC, Epic Touch will participate in Lifeline as required, and will provide toll blocking capability in satisfaction of the FCC or KCC's requirements. Epic Touch currently has the technology to provide toll blocking and will use this technology to provide the service to its Lifeline customers, at no charge, as part of its universal service offerings.

Staff is satisfied that Epic Touch has demonstrated an ability to provide the services or functionalities supported by the federal universal service support systems.

Types of Facilities Used to Provide Service

Epic Touch intends to provide universal services to Kansas customers using its existing network infrastructure, which includes the same antenna, cell-site, tower, trunking, mobile switching, and interconnection facilities used by the company to serve its existing conventional PCS customers.

Service Areas

Section 214(e)(5) of the Federal Act defines "service area" as:

The term "service area" means a geographic area established by a State commission for the purpose of determining universal service obligations and support mechanisms. In the case of an area served by a rural telephone company, "service area" means such company's "study area" unless and until the [Federal Communications] Commission and the States, after taking into account recommendations of a Federal-State Joint Board instituted under section 410(c), establish a different definition of service area for such company.

"Service areas" or "operating areas" are defined by the state act in K.S.A. 66-1,187(k). K.S.A. 66-1,187(k) provides that,

- (1) In the case of a rural telephone company, operating area or service area means such company's study area or areas as approved by the federal communications commission;
- (2) in the case of a local exchange carrier, other than a rural telephone company, operating area or service area means such carrier's local exchange service area or areas as approved by the commission.

A. Non-Rural Service Area

SWBT is considered a non-rural telephone company. Kansas wire centers are the service area currently designated by the KCC for universal service support for areas served by non-rural telephone companies. However, in its application, Epic Touch states, "To the extent Epic Touch

serves only a portion of the wire center listed at Exhibit C, Epic Touch requests ETC designation in that portion of the wire center where it provides service."

RCC Minnesota, Inc. made a similar request of the Commission in Docket No. 04-RCCT-338-ETC, and the Commission declined to adopt a new definition of service area for areas served by non-rural ILECs. The Commission reasoned,

As Staff has stated, the FCC determined that when redefining a service area, the new definition will apply to all future ETCs. The Commission believes the FCC's interpretation of the applicability of service area definitions to future ETC applicants is reasonable. Thus, the Commission finds that it shall retain wire centers as the service area for areas served by non-rural ILECs.²

Based on Epic Touch's description of the area it is capable of serving and the Commission's previous determination not to adopt a new definition of non-rural telephone company service area, Staff recommends the Commission grant Epic Touch's request to be designated as an ETC in the Liberal, Plains and Meade wire centers. Epic Touch is not capable of providing service to the Fowler and Sublette wire centers in their entirety; therefore, Staff does not recommend ETC designation in those wire centers.

No public interest evaluation is *required* for the SWBT wire centers. However, the Commission determined in its ALLTEL Order that,

In prior cases, the Commission has interpreted the use of the word 'shall' as leaving the Commission no discretion in designating an ETC in non-rural areas if all supported services were offered and advertised throughout the service area. However, SWBT suggests that the FCC has modified its interpretation of this language. In the Virginia Cellular proceeding, the FCC stated:

[T]he Bureau previously has found designation of additional ETCs in areas served by non-rural telephone companies to be *per se* in the public interest based upon a demonstration that the requesting carrier complies with the statutory eligibility obligations of section 214(e)(1) of the Act. We do not believe that designation of an additional ETC in a non-rural telephone company's study area based merely upon a showing that the requesting carrier complies with section 214(e)(1) of the Act will necessarily be consistent with the public interest in every instance.

Further, the FCC concluded that because Virginia Cellular had met the more rigorous public interest analysis for the rural study areas, it had also shown its commitments satisfy the public interest requirements for non-rural areas. Below, the Commission addresses the public interest analysis regarding ALLTEL's designation as an ETC in rural areas. As will be detailed below, the Commission finds it is in the public interest to designate ALLTEL as an additional ETC in

¹ Application of Epic Touch Co. for Designation as an Eligible Telecommunications Carrier (Application of Epic Touch), p. 10

² In the Matter of Petition of RCC Minnesota, Inc. for Designation as an Eligible Telecommunications Carrier Under 47 U.S.C. 214(e)(2), Docket No. 04-RCCT-338-ETC, Order #14, released September 30, 2004, ("RCC Minnesota Order"), ¶28.

rural service areas so long as ALLTEL agrees to the additional requirements imposed by this order. Thus, the Commission finds that ALLTEL has met all the requirements set out in the Federal Act to be designated as an ETC and it is in the public interest to designate ALLTEL as an ETC in the non-rural service areas, as delineated by this Commission, so long as ALLTEL agrees to the additional requirements imposed by this Order.³

As will be detailed below, Staff believes that it is in the public interest to designate Epic Touch as an ETC in the rural areas of Elkhart and Pioneer Telephone Company. Therefore, Staff believes it is in the public interest to designate Epic Touch as an ETC in the non-rural areas served by SWBT.

B. Rural Service Area

Elkhart, Pioneer and United Telephone Assn. are rural telephone companies. Thus, Epic Touch must offer its services throughout each of the study areas, unless this Commission and the FCC approve a different service area, such as the wire center. The Commission determined in the RCC Minnesota Order that it is in the public interest to redefine several rural study areas to the wire center level, although the FCC must concur with the Commission's determination.

Epic Touch is capable of providing service to the Elkhart study area in its entirety. Thus, the Commission does not need to consider redefinition for this study area. Staff recommends the Commission grant Epic Touch's request to be designated an ETC in the Elkhart study area.

Epic Touch is capable of providing universal service to a very small portion of United Telephone Assn.'s Englewood, Montezuma and Copeland wire centers, but is not capable of providing universal service to any of United Telephone Assn.'s wire centers in their entirety. Staff recommended the Commission not redefine below the wire center in the RCC Minnesota case, and the Commission adopted Staff's recommendation. Staff continues to not support redefinition below the wire center. Based on Staff's understanding of the FCC's Virginia Cellular order, once a service area is redefined, that is the new service area for that ETC and future ETCs. Staff has reached this conclusion based on the following language in the Virginia Cellular Order,

We define the affected service areas only to determine the portions of rural service areas in which to designate Virginia Cellular and future competitive carriers seeking ETC designation in the same rural service areas. Any future competitive carrier seeking ETC designation in these redefined rural service areas will be required to demonstrate that such designation will be in the public interest.⁴

³ See In the Matter of the Application of ALLTEL Kansas Limited Partnership for Deisgnation as an Eligible Telecommunications Carirer Pursuant to Section 47 U.S.C. § 214(e)(2) of the Communications Act of 1934, Docket No. 04-ALKT-283-ETC, September 24, 2004 Order, ¶28 ("ALLTEL Order").

⁴ See In the Matter of Federal-State Joint Board on Universal Service, Virginia Cellular, LLC Petition for Designation as an Eligible Telecommunications Carrier In the Commonwealth of Virginia, CC Docket No. 96-45, Memorandum Opinion and Order, ("Virginia Cellular Order"), ¶41.

Staff does not believe it will be in the best interest of Kansans and future ETCs to redefine service areas to match one carrier's footprint. Additionally, Staff believes it would be administratively burdensome for the Universal Service Administrative Company (USAC) to allocate support below the wire center level. Therefore, Staff is not recommending the Commission grant Epic Touch's request for ETC designation in any of United Telephone Assn.'s wire centers.

According to Epic Touch's Application, Epic Touch is capable of providing universal service to Pioneer's Richfield, Rolla and Hugoton wire centers in their entirety, and portions of Pioneer's Johnson, Ulysses, Moscow and Satanta wire centers. The Commission determined in the RCC Minnesota Order that redefinition by wire center is in the public interest when the population density analysis introduced in the FCC's Virginia Cellular Order is utilized to make such a determination.⁵

The average population density per square mile for the wire centers Epic Touch is capable of providing universal service to in their entirety, the Richfield, Rolla and Hugoton wire centers, is 4.73, compared to the average population density per square mile for the entire Pioneer study area, which is 5.34. Epic Touch is not trying to serve only the highest-density, lowest-cost wire centers. Additionally, Pioneer chose to disaggregate its support into no more than two zones per wire center in Docket No. 02-RTCT-366-MIS. Therefore, Staff does not have any cherry-picking concerns, and Staff believes that it is unlikely that redefining Pioneer's service area will place Pioneer at an unfair disadvantage. Redefining Pioneer's service area does not modify the existing rules applicable to rural telephone companies for calculating costs on a study area basis; therefore, this would not impose an additional administrative burden on Pioneer. Lastly, the Commission previously redefined the Pioneer service area to the wire center in the RCC Order, and Staff does not believe this has placed Pioneer at an unfair disadvantage.

Advertising

Eligibility for federal universal service support is addressed by Section 214(e) of the Federal Act. Section 214(e)(1) of the Federal Act states as follows:

- (1) ELIGIBLE TELECOMMUNICATIONS CARRIERS. A common carrier designated as an eligible telecommunications carrier under paragraph (2) or (3) shall be eligible to receive universal service support in accordance with section 254 and shall, throughout the service area for which the designation is received –
- (A) offer the services that are supported by Federal universal service support mechanisms under section 254(c), either using its own facilities or a combination of its own facilities and resale of another carrier's services (including the services offered by another eligible telecommunications carrier); and (B) advertise the availability of such services and the charges therefore using media of general distribution.

⁵ RCC Minnesota Order, ¶51.

Epic Touch currently advertises its wireless services through media of general circulation such as radio, television and print advertising. Epic Touch states it will use the media of general circulation that it currently employs to advertise the availability of its universal services offerings throughout the areas for which it seeks to be designated as an ETC. Epic Touch will comply with all form and content requirements, if any, promulgated by the FCC or the KCC. Staff is satisfied that Epic Touch will meet the advertising requirement.

The Commission required ALLTEL Kansas Limited Partnership ("ALLTEL"), RCC Minnesota, Inc. ("RCC Minnesota") and H&B Cable Service, Inc. ("H&B Cable") to work with Staff in developing language that includes, among other things, directing customers to the Commission's Office of Public Affairs and Consumer Protection for complaints regarding any service issues. If Epic Touch is granted ETC status, Epic Touch should be aware that the Commission may require Epic Touch to work with staff in developing similar language.

The Commission also stated in the ALLTEL and RCC Minnesota Orders that it will open a generic proceeding to discuss issues including the content, frequency and types of media for advertising. If Epic Touch is granted ETC status, and the Commission conducts a generic investigation regarding advertising as well as other ETC issues, Epic Touch should be aware that those obligations will be applied to all existing ETCs as well as companies who receive ETC designation in the future.

Public Interest

The Commission made a determination in Docket No. 99-GCCZ-156-ETC on May 19, 2000 that it is a rebuttable presumption that it is in the public interest to designate additional ETCs in the areas served by rural telephone companies.

The Commission must be guided by K.S.A. 1999 Supp. 66-2001 when making determinations that affect telecommunications customers in Kansas. The clear and unmistakable public policy imperative from both the federal and state legislatures is that competition is a goal, even in rural areas. Arguments have been made that competition is not in the public interest in any rural telephone company service area because it may jeopardize universal service. However, there had been no basis presented for reaching the broad conclusion that competition and universal service are never able to exist together in rural areas. The Commission does not accept the assertion that designating additional ETCs in rural areas will necessarily threaten universal service. The benefits of competition and customer choice are available to Kansans living in non-rural areas. General concerns and speculation are not sufficient justification for adopting a policy that would result in benefits and services that are available to other Kansans not also being available to rural telephone customers. The Commission finds, as a general principle, that allowing additional ETCs to be designated in rural telephone company service areas is in the public interest.

This general public interest finding is a presumption which may be rebutted by individual rural telephone companies. The Commission has the discretion to find

that in a particular discrete rural area, competition is not in the public interest. The obligation to establish that additional ETCs are not in the public interest is on the rural telephone company serving that area. Such a determination must be based on the facts shown to exist in a specific study area. [emphasis added]⁶

In addition, the FCC adopted several other considerations in evaluating public interest findings in its Virginia Cellular Order. While the FCC's Virginia Cellular Order is not binding on this Commission, the Commission found in its ALLTEL and RCC Minnesota Orders that examination of the additional factors enumerated in the FCC's order is reasonable.

In response to Staff Data Request Number 2, Epic Touch provided the following explanation of how it meets the guidelines that the Virginia Cellular Order suggested for evaluation:

• Benefits of Increased Competitive Choice –When a competitor enters or threatens to enter a market that is dominated by a monopoly or near-monopoly provider, the incumbent must take measures to counter the competitor or else the incumbent risks losing customers and market share. Given that the incumbent has 100% of the market prior to the introduction of competition, the incumbent may likely lose market share to the new market entrant.

In order to minimize the erosion of its customer base, and to win back customers lost to the competition, the incumbent will need to innovate and change its operations in response to competition. Such actions may include the offering of new and better service, different pricing packages that are more appealing than those offered by its competitors, more responsive customers service, and improved and more efficient operations that will reduce costs so that resources can be allocated to other areas. Incumbents must respond to competitive pressures or else risk being replaced by new market entrants. The introduction of competition by Epic Touch will bring about the benefits of competition described above to Kansas subscribers.

• Impact of Multiple Designations on the Universal Service Fund – Congress' explicit mandate when it made the federal Universal Service funding available to competitive carriers was that more than one entity be permitted to be designated an ETC in a particular area. When Congress amended Section 214(e) of the Communications Act, 47 U.S.C. §214(e), as part of the sweeping changes to federal law that were made in the Telecommunications Act of 1996, Congress made the deliberate policy judgment that competition produces lower prices, greater innovation and improved service, and that it benefits consumers. The Universal Service program was therefore modified so that it would encourage competition, rather than discourage it, by making support available to any carrier that provides the required services to the public. At the same time, the funding pool for the Universal Service program was also made much larger. As a result, more than one carrier can be designated in any given service area.

The receipt of federal USF support by Epic Touch in the area that is the subject of Epic Touch's application will have a negligible effect on the Universal Service Fund and the

⁶ See In the Matter of GCC License Corporation's Petition for Designation as an Eligible Telecommunications Carrier, Docket No. 99-GCCZ-156-ETC, May 19, 2000 Order, pp.3-4 ("Western Wireless Order").

amount carriers are required to contribute to the fund. The size of the multi-billion dollar federal Universal Service Fund administered by the Universal Service Administrative Company (USAC) greatly overshadows any amounts Epic Touch would receive to provide universal service. Moreover, the negligible impact of the additional USF support provided to Epic Touch will spread over all carriers nationwide, which will have little to no effect on the USF contributions paid by such carriers. However, the benefits of competition as a result of designating Epic Touch an ETC will be received by Kansas customers throughout Epic Touch's requested ETC service area.

- Unique Advantages and Disadvantages of the Competitor's Service Offering Epic Touch seeks to provide a wireless universal service offering, coupled with wireline resold service in areas to which its wireless network does not currently [serve]. The competitive offerings of the wireline carriers in Epic Touch's wireless coverage area have the advantage of being "hardwired", and therefore, not subject to signal propagation and interference issues that may accompany wireless services. However, wireline service providers do not offer the flexibility and portability of Epic Touch's wireless services, which are a disadvantage when immediate communications are required, such as in emergency situations. Epic Touch's wireless universal service offerings would permit customers in Epic Touch's coverage area, and in other areas where those customers are permitted to make calls on a roaming basis, to call emergency personnel. Persons using wireline services would have to seek out a landline phone to call such personnel, the access to which may be limited, especially in rural areas.
- Commitments Made Regarding Quality of Telephone Service Provided By Competing Providers- Although the services provided by wireline carriers may have somewhat better sound quality and availability due to the wired nature of the technology used by those carriers, Epic Touch's service standards are consistent with that of other high quality wireless providers in the industry. As such, the designation of Epic Touch as an ETC will make available a competitive, portable, and high quality wireless Universal Service offering to customers in Kansas.
- Competitive ETC's Ability to Provide the Supported Services Throughout the Designated Service Area Within a Reasonable Time Frame Epic Touch already provides wireless services in Kansas as set forth in the coverage map attached as Exhibit A to its Response to Information Request No. 1, Part 1, in this proceeding. Therefore supported services would be immediately available upon Epic Touch's designation as an ETC by the Kansas Corporation Commission in Epic Touch's wireless service area. Supported service in areas not covered by Epic Touch's wireless network would be served by reselling the services of other wireless carriers or the incumbent wireline provider. The availability of supported services in those areas would depend on the processing and provisioning times of carriers whose services are resold by Epic Touch.

In the FCC's evaluation of the Virginia Cellular application, the FCC states,

...assuming, that Virginia Cellular captures each and every customer located in the five affected rural study areas, the overall size of the high-cost support mechanisms would not significantly increase because the total amount of high-cost universal service support available to incumbent carriers in the rural study areas where we grant Virginia Cellular ETC

designation is only approximately .105% of the total high-cost support available to all ETCs.

In response to Staff Data Request Number 4.1, Epic Touch states that it expects to receive about \$200,000 annually from the FUSF, which is only .005 percent of national high-cost support. Thus, Staff does not believe approving Epic Touch's application will create a burden on the FUSF. Staff believes its analysis is consistent with that of the FCC.

In response to Staff Data Request Number 4.3, Epic Touch committed to abide by and meet the Commission's standards, should the Commission adopt minimum quality of service standards for all ETCs. Epic Touch asserts that it has implemented an advanced and high quality wireless telecommunications network but there are inherent differences in wireless and wireline technologies. Accordingly, Epic Touch reserved the right to request a waiver of newly adopted minimum quality of service standards to the extent that wireless mobile telephone technology is incapable of meeting new quality of service standards.

After reviewing Epic Touch's application and its responses to Staff's data requests, Staff believes Epic Touch has demonstrated that it is in the public interest to designate it an ETC in the Elkhart study area and the Richfield, Rolla and Hugoton wire centers of Pioneer's study area.

RECOMMENDATION:

Staff is satisfied that Epic Touch has demonstrated an ability to meet the federal requirements for being designated an ETC in the following SWBT wire centers: Liberal, Plains and Meade; the following Pioneer wire centers: Richfield, Rolla and Hugoton; and the entire Elkhart study area, and it is in the public interest to make such designation. Furthermore, no party has opposed Epic Touch's application.

Staff recommends approval of Epic Touch's application for the designation as an ETC in the aforementioned SWBT, Pioneer and Elkhart wire centers for the purpose of receiving Federal Universal Service Fund support. However, it should be noted that the FCC must concur with the Commission's decision to redefine the Pioneer service area to the wire center level, in order for Epic Touch to be designated an ETC in the Richfield, Rolla and Hugoton wire centers.

Staff further recommends the Commission not approve Epic Touch's request to be designated in the partially served wire centers of SWBT, United Telephone Assn. and Pioneer for the aforementioned reasons.

Epic Touch should be advised that support received must be used for its intended purpose and the company will be required to self-certify that it does use the support as intended each year. Additionally, Epic Touch should be aware that any decisions made by the Commission in a

⁷ See Virginia Cellular Order, footnote 96.

⁸ See http://www.universalservice.org/overview/filings/2005/Q2/default.asp, High Cost Support Projected by State by Study Area - 2Q2005, January 31, 2005.

generic docket regarding additional ETC requirements may impact the company and the company may be required to follow these to continue to receive support.

cc: Don Low Susan Duffy Eva Powers
Tom Behner Pat Shurtz Bob Lehr

EXHIBIT B

KCC ORDER

2005.04.19 09:06:17 Kansas Corporation Commission /S/ Susan K. Duffy

THE STATE CORPORATION COMMISSION OF THE STATE OF KANSAS

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Brian J. Moline, Chair Robert E. Krchbiel

Michael C. Moffet

In the Matter of the Application of Epic Touch)	
Co. for Designation as an Eligible)	Docket No. 05-ETCZ-378-ETC
Telecommunications Carrier Pursuant to)	
Section 214(e)(2) of the Communications Act)	
of 1934.)	

ORDER

NOW, the above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission). Having examined its files and records, and being duly advised in the premises, the Commission finds and concludes as follows:

- 1. On November 1, 2004, Epic Touch Co. (Epic Touch) filed its application seeking designation as an Eligible Telecommunications Carrier (ETC) throughout its licensed service area in the state of Kansas for the purpose of receiving federal Universal Service Fund Support.
- 2. On April 1, 2005, Commission Staff (Staff) filed its Report and Recommendation in which it recommended the Commission grant in part Epic Touch's application to be designated an ETC in certain wire centers. Furthermore, Staff recommended the Commission deny in part Epic Touch's application to be designated an ETC in certain wire centers.
- 3. On November 23, 2004, SWBT filed a Petition to Intervene. On February 7, 2005, the Commission issued an order granting SWBT's Petition to Intervene.
- 4. Staff states that Epic Touch is properly registered with the office of the Kansas Secretary of State with an "active and in good standing" status.

Federal ETC Requirements

- 5. Section 214 of the Federal Telecommunications Act of 1996 discusses the requirements that a company must meet in order to be designated an ETC and the role of this Commission in making the determination:
 - (e) Provision of Universal Service.
 - (1) Eligible telecommunications. A common carrier designated as an eligible telecommunications carrier under paragraph (2) or (3) shall be eligible to receive universal service support in accordance with section 254 and shall, throughout the service area for which the designation is received —
 - (A) offer the services that are supported by Federal universal service support mechanisms under section 254(c), either using its own facilities or a combination of its own facilities and resale or another carrier's services (including the services offered by another eligible telecommunications carrier); and
 - (B) advertise the availability of such services and the charges therefor using media of general distribution.
 - (2) Upon request and consistent with the public interest, convenience, and necessity, the State commission may, in the case of an area served by a rural telephone company, and shall, in the case of all other areas, designate more than one common carrier as an eligible telecommunications carrier for a service area designated by the State commission, so long as each additional requesting carrier meets the requirements of paragraph (1). Before designating an additional eligible telecommunications carrier for an area served by a rural telephone company, the State commission shall find that the designation is in the public interest. 47 U.S.C § 214 (e)(1)-(2).

Therefore, before designating Epic Touch an ETC throughout its licensed service area in the state of Kansas for the purpose of receiving federal support, the Commission must determine whether Epic Touch is offering services supported by federal universal service support and the types of facilities used to offer the supported services. The Commission must ensure that Epic Touch is offering those services throughout its licensed service area in the state of Kansas and advertising the services through media of general distribution.

Services or Functionalities

6. 47 C.F.R. § 54.101(a) identifies the following services or functionalities that shall be supported by federal universal service support mechanisms: (1) voice-grade access to the public switched network; (2) local usage; (3) dual-tone multi-frequency (DTMF); (4) single-party service or its functional equivalent; (5) access to emergency services; (6) access to operator services; (7) access to interexchange services; (8) access to directory assistance; and (9) toll limitation for qualifying low-income consumers. In its Report and Recommendation, Staff listed all nine services and functionalities and included the explanation provided by Epic Touch on how the company is meeting its requirement to provide the supported services.

Types of Facilities Used to Provide Services

7. Staff stated that Epic Touch intends to provide universal services to Kansas customers using its existing network infrastructure, which includes the same antenna, cell-site, tower, trunking, mobile switching, and interconnection facilities used by Epic Touch to serve its existing conventional PCS customers.

Service Areas

Non-Rural Service Area

8. Staff stated that Kansas wire centers are the service areas currently designated by the Commission for universal service support for areas served by non-rural telephone companies. SWBT is considered a non-rural telephone company. Staff stated that Epic Touch requests ETC designation in only the portion of the wire center where it currently provides service. Staff recommends the Commission grant Epic Touch's request for ETC designation in the Liberal, Plains and Meade wire centers, as Epic Touch is capable of providing service to all those wire centers. Staff further recommends the Commission deny Epic Touch's request for ETC designation in the

Fowler and Sublette wire centers, as Epic Touch is incapable of providing service to the all of those wire centers.

Rural Service Area

- 9. Staff stated that Epic Touch requests ETC designation in the entire Elkhart Telephone Co., Inc. (Elkhart) service area and in specific wire centers served by Pioneer Telephone Association, Inc. (Pioneer) and United Telephone Association, Inc. (United). Staff recommends the Commission grant Epic Touch's request for ETC designation in the Elkhart study area, as Epic Touch is capable of providing service to the entire area. Staff recommends the Commission deny Epic Touch's request for ETC designation in United's wire centers, as Epic Touch is only capable of providing service to a very small portion of the wire centers and it would require redefining service areas.
- Richfield, Rolla and Hugoton wire centers and portions of Pioneer's Johnson, Ulysses, Moscow and Satanta wire centers. Staff recommends the Commission deny Epic Touch's request for ETC designation in Pioneer's Johnson, Ulysses, Moscow and Satanta wire centers, as Epic is incapable of providing service to the entire wire centers. Staff recommends the Commission grant Epic Touch's request for ETC designation in Pioneer's Richfield, Rolla and Hugoton wire centers. Staff further recommended the Commission redefine Pioneer's service area by wire center. Staff noted that the Commission determined in the RCC Minnesota Order that redefinition by wire center is in the public interest when the population density analysis introduced in the FCC's Virginia Cellular Order is utilized to make such a determination. However, Staff noted the FCC must concur with the Commission's decision to redefine the Pioneer service area to the wire center level, in order for Epic Touch to be designated an ETC in the Richfield, Rolla and Hugoton wire centers.

Advertising

11. Epic Touch stated that it does and would continue to advertise the availability of services supported by the federal universal service mechanisms throughout the areas for which it seeks ETC designation. The methods of advertising utilized may include newspaper, direct mailings, bill inserts, telephone directory advertising and local sign-up events. In Docket No. 04-ALKT-283-ETC, the Commission required ALLTEL Kansas Limited Partnership to work with Staff in developing languages that includes, among other things, direction for customers to the Commission's Office of Public Affairs and Consumer Protection for complaints regarding any service issues. In Docket No. 04-RCCT-338-ETC, the Commission required RCC Minnesota, Inc. to also work with Staff in developing such language. Staff stated that if Epic Touch is granted ETC status, Epic Touch should be aware that the Commission may require Epic Touch to work with staff in developing similar language or require Epic Touch to use the Commission approved language In the same orders, the Commission also stated that it from the previously discussed dockets. would open a generic proceeding to discuss issues including the content, frequency and types of media for advertising. If Epic Touch is granted ETC status, and the Commission conducts a generic investigation regarding advertising as well as other ETC issues, Epic Touch should be aware that those obligations will be applied to all existing ETCs as well as companies who receive ETC designation in the future.

Findings and Conclusions

Touch's application and to designate Epic Touch as ETC in the following SWBT wire centers: Liberal, Plains and Meade; the following Pioneer wire centers: Richfield, Rolla and Hugoton; and the entire Elkhart study area for the purpose of receiving Federal Universal Service Fund support is reasonable and hereby adopts same. The Commission finds that the FCC must concur with the

Commission's decision to redefine the Pioncer service area to the wire center level, in order for Epic Touch to be designated an ETC in the Richfield, Rolla and Hugoton wire centers. The Commission finds that Staff's recommendation to deny portions of Epic Touch's application and not designate Epic Touch as ETC in the partially served wire centers of SWBT, United, and Pioneer for the purpose of receiving Federal Universal Service Fund support is reasonable and hereby adopts same. The Commission notes that the Commission granted SWBT's Petition to Intervene.

13. Epic Touch must use its support for the intended purpose and the company will be required to self-certify that it does use the support as intended each year. Additionally, any decisions made by the Commission in a generic docket regarding additional ETC requirements may impact Epic Touch and the company may be required to follow any additional requirements in order to continue receiving support.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

- A. Epic Touch Co.'s March 30, 2005, application to be designated as an ETC throughout its licensed service area in the state of Kansas for the purpose of receiving federal Universal Service Fund Support is granted in part and denied in part, as set forth above.
- B. The FCC must concur with the Commission's decision to redefine the Pioneer Telephone Association, Inc. service area to the wire center level, in order for Epic Touch Co. to be designated an ETC in the Richfield, Rolla and Hugoton wire centers.
- C. The parties have fifteen days, plus three days if service of this order is by mail, from the date this order was served in which to petition the Commission for reconsideration of any issue or issues decided herein. K.S.A 66-118; K.S.A. 2004 Supp. 77-529(a)(1).
- D. The Commission retains jurisdiction over the subject matter and the parties for the purpose of issuing such further order, or orders, as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Moline, Chr.; Krehbiel, Com.; Moffet, Com.

Dated: APR 1 9 2005

ORDER MAILED

APR 1 9 2005

Susan K. Duffy

Executive Director

RLL: ks

<u>CERTIFICATION ON BEHALF OF</u> <u>EPIC TOUCH CO.</u>

I, Trent Boaldin, hereby certify under penalty of perjury that I am authorized to make this certification on behalf of Epic Touch Co.; that I have read the foregoing document and know the contents thereof; and that the same are true of my own knowledge, except to those matters therein stated upon information and belief, and as to those matters I believe them to be true.

Trent Boaldin
President
Epic Touch Co.